

2002 Solar Energy System Credit

3508

Attach to your California tax return.

Name(s) as shown on return

Social security Corporation number FEIN

Parcel or address where system is located

PMB no.

Secretary of State (SOS) file number

City or town

State

ZIP Code

Part I

If you answer "No" to any of the following seven questions, or if you are engaged in a line of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual, stop here. You do not qualify for the Solar or Wind Energy System Credit. See General Information, Qualifications.

- 1 Did you purchase and install a solar or wind energy system in 2002 in California? Yes No
- 2 Is the solar or wind energy system either a photovoltaic or wind-driven system? Yes No
- 3 Is the rated peak generating capacity of the solar or wind energy system, installed on or after 1/1/01, 200,000 watts (200 kilowatts) or less? Yes No
- 4 Is the solar or wind energy system used for the individual function of generating electricity? Yes No
- 5 Is the solar or wind energy system primarily used to meet the taxpayer's energy needs? Yes No
- 6 Are all of the components of the solar or wind energy system certified by the California Energy Commission? Yes No
- 7 Does the solar or wind energy system come with a five-year warranty that protects against breakdown or undue degradation of electricity generation? Yes No

Part II

- 1 Enter the purchase and installation cost of the solar or wind energy system **1** _____
- 2 Did you receive or have you been approved to receive any municipal, state, or federal financial incentives to offset the purchase or installation costs of the solar or wind energy system? Yes No
- 3 If your answer is "Yes" on line 2, enter the value of the financial incentives received or approved to be received. If no, enter -0- **3** _____
- 4 Subtract line 3 from line 1. **4** _____
- 5 Multiply the amount on line 4 by 15% (.15) **5** _____

Part III

- 1 Enter the rated peak generating capacity, in watts, of the solar or wind energy system. Cannot exceed 200,000 watts (200 kilowatts) **1** _____
- 2 Applicable dollar amount **2** 4.50
- 3 Multiply the amount on line 1 by the amount on line 2 **3** _____

Part IV

- 1 Enter the lesser of Part II, line 5 or Part III, line 3. This is your available credit. **1** _____
- 2 Enter the amount of credit claimed on your current tax return. See instructions. **2** _____
- Caution:** This amount may be less than the amount on line 1 if your credit is greater than your tax liability.
- 3 Credit carryover available for future years. Subtract line 2 from line 1 **3** _____

General Information

For taxable years beginning on or after January 1, 2001, the California Personal Income Tax Law and the Corporation Tax Law allow a nonrefundable Solar or Wind Energy System Credit for certain approved photovoltaic or wind-driven solar or wind energy systems. The credit can be used by taxpayers against the net tax in an amount equal to the lesser of 15% (.15) of the cost paid or incurred for the purchase and installation of a solar or wind energy system after deducting the value of any municipal, state, or federal sponsored financial incentives, or the applicable dollar amount per rated watt of the solar or wind energy system.

Note: For taxable years beginning on or after January 1, 2004, and before January 1, 2006, the credit percentage will change to 7.5%.

Purpose

Use California form FTB 3508 to figure the Solar or Wind Energy System Credit. You claim the credit by completing and attaching form FTB 3508 to the tax return for the tax year you qualify for the credit. Form FTB 3508 must be filed with your tax return filed with the California Franchise Tax Board.

S corporations, estates or trusts, partnerships, and Limited Liability Companies (LLCs) classified as partnerships should complete form FTB 3508 to figure the amount of credit to pass through to shareholders, beneficiaries, partners, or members. Attach form FTB 3508 to Form 100S, Form 541, Form 565, or Form 568. Show the pass-through credit for each shareholder, beneficiary, partner, or member on Schedule K-1 (100S, 541, 565, or 568).

Description

A Solar or Wind Energy System Credit will be allowed against the net tax in an amount equal to 15% of the cost paid or incurred after deducting the value of any municipal, state, or federal incentive for the purchase and installation of a solar or wind energy system, or the applicable dollar amount of \$4.50 per rated watt of the system. The lesser of the two is the allowable credit.

The tax credit is applicable to solar or wind energy systems with a rated peak generating capacity of 200 kilowatts or less. The 200 kilowatts size limitation applies to solar or wind energy systems installed on or after January 1, 2001, and does not apply to systems installed prior to this date. Systems installed prior to January 1, 2001, should not be considered in determining the rated peak generating capacity of systems installed after this date.

Qualifications

A solar or wind energy system is a solar (photovoltaic) or a wind turbine electrical generating facility, or a hybrid system of both, but not a solar thermal, with a capacity of not more than 200 kilowatts that is purchased by and located on the residential or small commercial taxpayer's owned, leased, or rented premises, is interconnected and operates in parallel with the electric grid, and is intended primarily to offset part or all of the customer's own electrical requirements.

To qualify for this credit, you must have purchased and installed a solar or wind energy system on your property in California during the 2002 taxable year. The solar or wind energy system must generate electricity by means of a photovoltaic or wind-driven device. The solar or wind energy system must have a rated peak generating capacity of 200,000 watts (200 kilowatts) or less. The solar or wind energy system must be used for the individual function of generating electricity and the electricity generated must be used primarily to meet the taxpayer's own energy needs.

The solar or wind energy system must be certified by the California Energy Commission. The solar or wind energy system must be installed with a five-year warranty to protect against breakdown or undue degradation.

The credit may be allowed for one solar or wind energy system per each separate legal parcel of property, or per each address of the taxpayer in California. If you have more than one parcel or address and you are claiming more than one Solar or Wind Energy System Credit, please complete a separate form FTB 3508 for each parcel or address. If you installed multiple solar or wind energy systems on your property during the taxable year beginning on or after January 1, 2002, you may claim a Solar or Wind Energy System Credit for only one of these solar or wind energy systems.

No credit is allowed to any taxpayer engaged in those lines of business described in Sector 22 of the North American Industry Classification System (NAICS) Manual published by the United States Office of Management and Budget, 1997 edition.

General Assistance. The California Energy Commission provides certification numbers for approved equipment including inverters, photovoltaic modules, and wind turbines. The certification numbers can be located on the List of Approved Photovoltaic Modules for the Solar or Wind Energy System Credit, List of Approved Wind Turbines for the Solar or Wind Energy System Credit, and List of Approved Inverters for the Solar or Wind Energy System Credit, which are available at the California Energy Commission's website at: www.consumerenergycenter.org/renewable/tax_credit.html, or may also be obtained by calling (800) 555-7794 (inside California) or (916) 653-2543 (outside California). Please note, the above lists of approved equipment are not the same as the equipment lists for the California Energy Commission's Emerging Renewable Buydown Program.

Note: If a solar or wind energy system is sold or removed from California within one year from the date it was placed in service, the amount of credit allowed for that system must be recaptured in the year the system was sold or removed.

Record Keeping. You must retain all documents pertaining to the purchase and installation of your solar or wind energy system such as sales slips, invoices, receipts, cancelled checks, or other proof of purchase and/or payment. You need not attach your completed Solar and Wind Energy System Credit Worksheet to form FTB 3508 when you file your tax return. However, you must retain copies of the List of Approved Photovoltaic Modules, List of Approved Inverters and a List of Approved Wind Turbines. California law requires taxpayers to keep copies of all certification information obtained from the California Energy Commission to document the system's certification.

The taxpayer will need to provide evidence that the equipment is covered by a five-year warranty, covering the five year period from the time the equipment is placed in service. Evidence of coverage could include a copy of the warranty provided with the specific equipment, or any document that reflects the fact that the manufacturer is providing coverage for the equipment. The taxpayer will also need to provide evidence that the system actually is used to produce electricity and used to meet taxpayer's own energy needs, which could include copies of the taxpayer's utility bills.

You must retain these documents and make them available to the Franchise Tax Board upon request.

Limitations

S corporations may claim only 1/3 of the credit against the 1.5% entity-level tax (3.5% for financial S corporations). The remaining two-thirds must be

disregarded and may not be used as carryover. In addition, S corporations may pass through 100% of the credit to their shareholders.

If a taxpayer owns an interest in a disregarded business entity [a single member limited liability company (SMLLC) not recognized by California for tax purposes that is treated as a sole proprietorship owned by an individual or a branch owned by a corporation], the credit amount received from the disregarded entity that can be utilized is limited to the difference between the taxpayer's regular tax figured with the income of the disregarded entity, and the taxpayer's regular tax figured without the income of the disregarded entity. An SMLLC may be disregarded as an entity separate from its owner, and is subject to statutory provisions that recognize otherwise disregarded entities for certain purposes including the tax and fee of an LLC, the return filing requirements of an LLC, and the credit limitations previously mentioned. Get Form 568, Limited Liability Company Return of Income, for more details.

Note: If the disregarded entity reports a loss, the taxpayer may not claim the credit this year but can carry over the credit amount received from the disregarded entity.

This credit cannot reduce the minimum franchise tax (corporations and S corporations), the annual tax (limited partnerships, limited liability partnerships, and LLCs), the alternative minimum tax (corporations, exempt organizations, individuals, and fiduciaries), the built-in gains tax (S corporations), or the excess net passive income tax (S corporations). This credit cannot reduce regular tax below TMT. See Schedule P (100, 100W, 540, 540NR, or 541) for more information.

No other credit or deduction may be allowed for any cost for which a credit is allowed under this section. In addition, the basis of the solar or wind energy system must be reduced by the amount allowed as a credit.

Specific line Instructions

Part I

If you answered "No" to any of the seven questions, you do not qualify for the Solar or Wind Energy System Credit. If you are engaged in a line of business described in Sector 22 of the NAICS Manual, you do not qualify. See General Information, Qualifications.

Part II

Line 1

Enter the cost paid or incurred including installation of the solar or wind energy system.

Line 3

Enter the total amount or value of any municipal, state, or federal financial incentives that you received, or are approved to receive, to offset the purchase or installation costs of the solar or wind energy system.

Part III

Enter the rated peak generating capacity, in watts, for your solar or wind energy system. You can obtain information on how to calculate the rated peak generating capacity from the California Energy Commission's Website. If you need help calculating the rated peak generating capacity of your solar or wind energy system, contact the California Energy Commission at (800) 555-7794, or go to their Website at: www.consumerenergycenter.org

Part IV

Line 2

The amount of credit that you may claim on your tax return may be limited. Refer to the credit instructions in your tax booklet for more information. The instructions also explain how to claim this credit on your tax return. You must use credit code number **217** when you claim this credit.

Note: This credit is not refundable.

Line 3

Carryover: If the available credit exceeds the current year tax liability, the unused credit may be carried over to the following year and the succeeding seven years, if necessary, until the credit is exhausted. Apply the carryover to the earliest taxable years possible. This credit cannot be carried back or applied against a prior year's tax.